

State Employee Benefits Advisory Council Meeting
March 8, 2012
Statewide Benefits Office
Dover, Delaware

The State Employee Benefits Advisory Council met on March 8, 2012 in the Statewide Benefits Office, 500 W. Loockerman St., Suite 320, Dover, Delaware. The following Council members and guests were present:

Brenda Lakeman, OMB, SW Benefits, Director
Faith L. Rentz, OMB, SW Benefits
Deputy Director
Pat Griffin, Chair, SEBAC, AOC
Marsha Carson, SEBAC, DOS

Mary Cooke, SEBAC, DOE
Judy Anderson, DSEA
Ann P. Skeans, OMB, SW Benefits
Mary Thuresson, OMB, SW Benefits

Ms. Griffin called the meeting to order at 3:10 p.m.

Approval of Minutes – (handout)

Ms. Griffin asked members to review the revised version of the prior meeting minutes from February 22, 2012 and then requested a motion for approval. Ms. Cooke made the motion and Ms. Carson seconded the motion. Upon unanimous voice vote the minutes were approved.

Update of SEBC Activities

For reference purposes, Ms. Lakeman distributed a copy of the Group Health Program FY13 Planning, March 12th SEBC handout which is basically the same information as was presented to SEBC on February 24th. The vote for FY13 planning will be requested at SEBC March 12th. The prescription options are also in there, but the Committee may not want to make a change in copays due to rate changes. An option presented is to keep the rates the same or do a three percent increase. The three percent would be in addition to any changes that might have occurred from last year with House Bill 81. There was a brief refresher discussion of affects of the changes.

Quarter two financials, ending December 31, 2011, are good news. Performance was a little better than projected. Premiums were a little higher than expenditures. There was a three percent surplus at end of quarter one. Now it's four percent as of end of quarter two. Revenues exceeded expenditures which created the surplus. Ms. Griffin asked if other states have had improvements such as ours, or if it was attributable to initiatives. Ms. Rentz stated all are doing better, but not as well as we are. The positive experience cannot be tied to one thing. It was asked if other states insure the same as we do. They vary and many are self insured like us per Ms. Rentz. Further details were given as to differences in how they work. It's hard to compare us with others because of the differences.

In discussion it was asked if when we look at expenditures, we include in projections the cost savings measures. An in-depth analysis is not done as far as changes put in place and what the projected versus real life savings were. The carriers are now trying to track savings for us so we can do this better. This would help with long term projections. Some can be tracked easier than others. The Med Solutions implementation was a projected savings of \$1 million (M) and that has been documented. Adding dependents to age 26 had a \$5M estimate and based on carriers tracking, they were right on their estimates. At a meeting yesterday with Medco they spoke about how much they saved on coverage management as a whole. It's a significant amount, several million saved by managing the medications and proper utilization

of them. The Medco contract was renewed last year, with improvements to the contract drug rebates and lower admin fees. They are seeing almost no trend on the prescription benefit now, saving millions by keeping expenses flat.

A few months ago the fund equity balance increased because we began receiving rebates earlier changing from a six month to a three month lag. That gave us two rebates at the same time, over \$5M. The past Fund Equity was available for reference. Discussion with questions and answers followed about the projections, best fit trend and adjusting for it. Ms. Griffin noted they need to get some credit for having made such efforts to keep control of the costs. Ms. Lakeman noted they would update an outline of changes done over the past years. FY11 started the surplus build when the trend started to flatten. At the end of FY11 it was \$32.8M and now its \$49M. At least \$7M of that is due to the rebate.

All need to remain cautious and optimistic because utilization is down. Many may not be getting services done which could reverse. At some time members will stop foregoing services or will get ill because of it. If the SEBC decides to use the surplus and the trend stays flat its good. More discussion followed on the topic, especially about pre-65 pensioners' usage versus Medicare pensioners, and all employee plan usage.

Ms. Cooke brought to attention the recent information that Delaware has the second highest obesity rate in the nation, being 38 percent. Ms. Anderson was aware of an article saying Delaware was high in diabetes and cancer. Ms. Lakeman had just seen an article saying our cancer rates had improved. Ms. Griffin said maybe they could ask SEBC to help pay for Weight Watchers in the Wellness Program. Another stated Blue Cross pays for six, one-on-one meetings with a nutritionist if you are diabetic.

The Group Health Program FY13 Planning, March 12, 2012 (handout) was reviewed and discussed. As previously noted, the information was mostly a review of what had already been presented and discussed at the February 24th SEBC meeting. Questions were answered. Topics included the following:

- FY13 Budget Projections
- Risk Based Capital – Adjustments to Minimum Reserve
- Cost Saving Options for FY13
 - Prescription Coverage Management Savings
 - Prescription CoPay Options
- FY13 Health Care Rates
 - Options to Close the Balance
- FY13 DelaWELL Plan Approval
- FY13 Group Health Planning Approval

SEBAC Comments to SEBC

The SEBAC reiterates its comment presented on February 24th. SEBAC enthusiastically endorses the proposed changes to the DelaWELL Program relating to incentive structure, particularly Weight Watchers and tobacco cessation.

SEBAC does not support a prescription co-pay increase. SEBAC's preference is for not increasing rates for FY 2013 beyond those mandated by House Bill 81; however, we recognize the potential widening gap between premium revenues and health expenditures in future years.

Public Comment

None.

Other Business

None.

Ms. Griffin asked for a motion to adjourn. Ms. Cooke made the motion and Ms. Carson seconded the motion. Upon a unanimous verbal approval the meeting adjourned at 4:42 p.m.

Respectfully submitted,

Mary Thuresson
Administrative Specialist
Statewide Benefits Unit, OMB